



County of Los Angeles CHIEF EXECUTIVE OFFICE

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Chief Executive Officer

June 2, 2009

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From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

Additional May Revision Budget Reduction Proposals

On May 29, 2009, the Governor released the fourth in a series of May Revisions. The first two were issued on May 14, 2009 and were targeted at budget deficits of \$15.4 billion and \$21.3 billion, respectively. The first deficit was premised on passage of various propositions included on the May 19, 2009 Special Election ballot, while the second assumed defeat of the propositions. A third Revision was released on May 26, 2009, which contained an additional \$5.6 billion in reductions to compensate for the Administration's withdrawal of its proposal to issue a similar amount of Revenue Anticipation Warrants. Lastly, the May 29, 2009 Revision recommends an additional \$2.8 billion in reductions to address an overall \$24.1 billion projected State Budget deficit.

Estimated Impact on the County

Based on our preliminary analysis of the four May Revision proposals, **we estimate that the County is facing \$1.235 billion in additional budget reductions through the end of next fiscal year.** Combined with the actions taken by the Governor and the Legislature to enact the FY 2008-09 and FY 2009-10 State Budget Acts, which resulted in a loss of \$253.1 million to the County, **we estimate that the County is now facing an overall potential loss of \$1.488 billion through June 30, 2010.** This amount does

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not include the proposal to borrow property tax revenues from local governments which we estimate would put at least \$301.9 million in County General Fund revenues at risk, and it does not include any potential payment deferrals to counties.

Major May Revision budget solutions affecting the County in FY 2009-10 include:

- \$585.2 million loss of CalWORKs Single Allocation Funds;
- \$417 million overall cost shift to the County from the elimination of CalWORKs, if 50 percent of participants apply and are determined eligible for the General Relief Program;
- \$234.7 million loss from the redirection of County Sales Tax Realignment funds;
- \$109 million loss to the Department of Public Works from a reduction in the local share of gasoline taxes;
- \$24.4 million loss from the elimination of CalWORKs Mental Health Services funding;
- \$21 million loss from the elimination of the Mental Health Managed Care Program;
- \$16.8 million loss from the suspension of SB 90 mandate claims for various County programs;
- \$16.4 million loss from the elimination of CalWORKs Substance Abuse Program funding;
- \$11.5 million loss from the elimination of the Healthy Families Program (\$10 million for the Department of Mental Health and \$1.5 million for the Department of Health Services);
- \$1.7 million loss from a reduction in HIV/AIDS Treatment and Prevention programs;
- \$1.37 million loss from reductions to Maternal, Child and Adolescent Health programs; and
- \$1.1 million loss from the elimination of Community Based Services programs.

The above losses are partially offset by an estimated \$226.1 million in County savings as a result of reductions to the In-Home Supportive Services Program. The estimated fiscal impact on the County by program is contained in Attachment I, and Attachment II describes the programmatic impact.

Pursuit of Position on Budget Items

The Budget Conference Committee has not yet taken action on the Governor's proposals. Consistent with our advocacy efforts on budget recommendations included in the Governor's FY 2009-10 Proposed Budget and May Revision Budget proposals, and based on general policy to seek restoration of State Budget reductions and other

policies included in the Board-approved State Legislative Agenda for the 2009-10 session, **the Sacramento advocates will focus their efforts on mitigating these adverse impacts on County programs.**

Governor Addresses the Legislature on the State Fiscal Crisis

Today, Governor Schwarzenegger addressed a joint session of the Legislature urging quick action to close a \$24.3 billion gap. The Governor noted that State revenues have declined by 27 percent and are now at 2003 levels, and when adjusted for population and inflation, revenues only match late 1990's amounts. The Governor also noted that the State Controller indicated that the State has 14 days to act on the budget if it is to borrow successfully in the short-term market.

The Governor also advocated a restructuring of the State-local relationship noting that "If we are providing fewer resources, we have an obligation to cut most of the strings and mandates" He also indicated that the bi-partisan tax modernization commission should have its recommendations ready in July. The Governor indicated that he hopes that the Legislature can adopt many of these and other reforms prior to its scheduled summer recess on July 17, 2009.

Budget Conference Committee Activities

On Monday, June 1, 2009, the Budget Conference Committee examined in detail the May Revision proposals released on Friday, May 29. This most recent May Revision would reduce State General Fund expenditures by \$2.83 billion in FY 2009-10, and by \$2.19 billion in FY 2010-11. The most significant element of this Revision is the Governor's proposal to take \$550 million in FY 2009-10 and \$625 million in FY 2010-11 of Realignment savings from counties to help offset the State General Fund shortfall. This proposal has potentially very serious consequences for the County's ability to deliver mental health, health and social services to its residents.

Another element which has a potentially significant impact on the County is the proposal to restrict the IHSS program to the most severely disabled persons (those with a functional index of four or greater). The Department of Finance estimates that this proposal will allow the State to withhold \$230.8 million in FY 2009-10 and \$400 million in FY 2010-11.

Senators Alan Lowenthal and Mark Leno expressed strong concerns about the proposed reductions and the impact they would have on counties and cities. Senator Lowenthal has asked the Department of Finance for an estimate detailing the cumulative dollar impact of the proposed reductions on local government.

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Higher and K-12 education and child care were the topics for public testimony. Numerous parents, teachers, students, and school personnel urged the Conference Committee to reject the cuts proposed by the Administration, because of the devastating effect they would have on California's students. Many spoke about the need for the Legislature to increase revenues, and asked Democrats and Republicans to work together to resolve California's fiscal crisis.

The schedule for Conference Committee for the immediate future is as follows:

- June 2 - public safety and resources with public testimony.
- June 3 - 9:30 a.m. - general government and revenue with public comment.
NOTE: This is the end of the public comment period. At 1:30 p.m. consolidations and reorganizations.
- June 4 - 9:30 a.m. - education and higher education.
- June 5 - 9:30 a.m. - health.
- June 6 - 9:30 a.m. - human services.
- June 8 - 9:30 a.m. - local government.

We will continue to keep you advised.

WTF:GK
MAL:MR:IGEA:er

Attachments

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

**ESTIMATED IMPACT TO LOS ANGELES COUNTY
FROM THE GOVERNOR'S FY 2009-10 MAY REVISION**

Attachment I

Programs:	FY 2008-09 and FY 2009-10 State Budget Cuts ⁽¹⁾	5/15/09 - May Revision Budget Proposals w/Contingency Plan	5/26/09 - May Revision Additional Budget Cuts (\$5.56 Billion Instead of RAWs)	5/29/09 - May Revision Additional Budget Cuts (\$2.8 Billion in Add'l Cuts)	Total Potential County Losses thru June 30, 2010
<u>Health</u>					
Medi-Cal Provider and Managed Care Rates	(\$8,738,000)	0	0	0	(\$8,738,000)
Federal Safety Net Care Pool Payments	(14,400,000)	0	0	0	(14,400,000)
South Los Angeles Preservation Fund	(10,000,000)	0	0	0	(10,000,000)
California Healthcare for Indigents Program	(5,300,000)	0	0	0	(5,300,000)
Medi-Cal Eligibility for Legal Immigrants	0	(1,100,000)	0	0	(1,100,000)
Medi-Cal Optional Benefits Reductions	(5,600,000)	0	0	0	(5,600,000)
Elimination of the Healthy Families Program	0	0	(1,500,000)	0	(1,500,000)
<u>Public Health</u>					
HIV/AIDS Treatment and Prevention	(1,200,000)	(4,200,000)	(1,690,000)	0	(7,090,000)
Family and Health Programs	(202,000)	0	0	0	(202,000)
Alcohol and Other Drug Programs/Drug Medi-Cal Program	(6,400,000)	(3,900,000)	0	0	(10,300,000)
Proposition 36 Program/Offender Treatment Program	(3,049,000)	(27,000,000)	0	0	(30,049,000)
Immunization Program	(81,000)	0	0	0	(81,000)
Drug Court Programs	(626,000)	0	0	0	(626,000)
Perinatal Substance Abuse Treatment Programs	(610,000)	0	0	0	(610,000)
Other Non-Medi-Cal Drug Programs	(180,000)	0	0	0	(180,000)
Maternal, Child and Adolescent Health Program Reductions	0	0	(1,366,000)	0	(1,366,000)
CalWORKs Substance Abuse Programs Funding Loss	0	0	(16,400,000)	0	(16,400,000)
<u>Mental Health</u>					
Mental Health Managed Care Program	(3,800,000)	0	(21,000,000)	0	(24,800,000)
Institutes for Mental Disease	(6,300,000)	0	0	0	(6,300,000)
Mental Health Services Act (Proposition 63) Funds	(64,400,000)	64,400,000 ⁽²⁾	0	0	0
Reduce Early Periodic Screening, Diagnosis and Treatment funds	0	0	(7,000,000)	0	(7,000,000)
Elimination of the Healthy Families Program	0	0	(10,000,000)	0	(10,000,000)
CalWORKs Mental Health Services Funding Loss	0	0	(24,400,000)	0	(24,400,000)
Deferral of AB 3632 Program Payments	0	0	0	(12,400,000)	(12,400,000)
<u>Social Services</u>					
Adult Protective Services Administration	(2,600,000)	0	0	0	(2,600,000)
Medi-Cal Program Administration - Cost-of Doing-Business	(48,800,000)	0	0	0	(48,800,000)
In-Home Supportive Services (IHSS) Administration	(5,100,000)	0	0	0	(5,100,000)
Reduced State Participation in IHSS Wages	0	26,100,000 ⁽⁴⁾	0	0	26,100,000
IHSS Program - Reduction of Recipient Services	0	69,700,000 ⁽⁵⁾	0	130,300,000	200,000,000
Food Stamps Administration	(6,900,000)	0	0	0	(6,900,000)
CalWORKs Program Elimination	0	(27,200,000) ⁽⁶⁾	(389,800,000) ⁽⁶⁾	0	(417,000,000) ⁽⁶⁾
CalWORKs Single Allocation Funding Loss	(17,600,000)	0	(585,200,000)	0	(602,800,000)
Cash Assistance Program for Immigrants (CAPI) ⁽³⁾	0	(10,300,000) ⁽⁷⁾	0	0	(10,300,000)
Child Welfare Services Administration ⁽³⁾	0	(19,600,000)	0	0	(19,600,000)
Redirection of County Social Services Realignment Funds	0	0	0	(234,706,000) ⁽⁸⁾	(234,706,000) ⁽⁸⁾
Elimination of Community Based Services Programs	0	0	(1,100,000)	0	(1,100,000)
<u>Justice and Public Safety</u>					
Juvenile Probation and Camp Funding	(8,476,000)	0	0	0	(8,476,000)
Juvenile Justice Crime Prevention Act (JJCPA) Program	(3,492,000)	0	0	0	(3,492,000)
Citizens Option for Public Safety (COPS) Program	(1,051,000)	0	0	0	(1,051,000)
<u>General Government</u>					
Delay of Deferred Mandate Payments	(28,000,000)	0	0	0	(28,000,000)
Suspension of SB 90 Mandate Claims	0	0	0	(16,853,000) ⁽⁹⁾	(16,853,000) ⁽⁹⁾
Public Library Fund	(182,000)	0	0	0	(182,000)
Subventions for Open Space (Williamson Act)	(4,000)	(36,000)	0	0	(40,000)
Reduction of Local Share of Gasoline Taxes - Public Works	0	0	(109,000,000) ⁽¹⁰⁾	0	(109,000,000) ⁽¹⁰⁾
Total	(\$253,091,000)	\$66,864,000	(\$1,168,456,000)	(\$133,659,000)	(\$1,488,342,000)

Attachment I

Notes:

- (1) Reflects budget reductions the County experienced when the FY 2008-09 and FY 2009-10 State Budget Acts were enacted in February 2009.
- (2) Reflects savings as a result of voters rejecting Proposition 1E which would have redirected Mental Health Services Act (Prop. 63) monies to fund State mental health costs.
- (3) May Revision proposals affecting social services programs assume an effective date of October 1, 2009.
- (4) Estimate reflects savings from reducing IHSS provider wages in the County to the minimum wage. If the County maintains current wage, Net County Cost would increase by \$40.7 million in FY 2009-10.
- (5) Proposal would result in net County cost savings because of reduced recipient services.
- (6) Estimate assumes 50% of CalWORKs recipients apply for and are determined eligible for the County's General Relief Program.
- (7) Estimate assumes 100% of CAPI recipients apply for and are determined eligible for the County's General Relief Program.
- (8) Reflects redirection of anticipated Sales Tax Realignment revenue savings from the elimination of the CalWORKs and IHSS Programs to fund increased share of County costs for Child Welfare and Foster Care.
- (9) Estimate is based on FY 2007-08 SB 90 Mandate Claim amounts excluding the Sheriff's Department and the District Attorney claims.
- (10) Loss of local share of gasoline taxes would result in a loss of an additional \$82 million in FY 2010-11.

This table represents the estimated loss/gain of State funds based upon the FY 2008-09 and FY 2009-10 Adopted Budgets, and the May Revision Budget proposals. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.

**ADDITIONAL FY 2009-10 MAY REVISION PROPOSALS
ITEMS OF COUNTY INTEREST**

The additional May Revision proposals affecting the County include:

General Government

Local Government Borrowing Pursuant to Proposition 1A of 2004. The Governor's original May 14, 2009 Revision Proposal to suspend Proposition 1A of 2004 would have redirected approximately \$2 billion in local government property taxes to schools. On May 26, 2009, the Administration released additional information indicating that this proposal would allocate these funds to help support the Medi-Cal Program. This change appears to reflect Administration concern about the potentially limited ability to reduce State school funding without violating Federal maintenance-of-effort requirements in the American Recovery and Reinvestment Act (ARRA). Failure to comply with ARRA could result in an offsetting loss of Federal funds for schools.

As reported in our May 15, 2009 Sacramento Update, based on FY 2008-09 property tax collections and assuming that each jurisdiction will have to contribute the maximum of 8 percent, **we estimate that at least \$301.9 million in property tax revenues for the County General Fund could be at risk.**

Suspension of SB 90 Mandates. This additional May Revision proposal would suspend almost all reimbursable State mandates, except those related to public safety, law enforcement and property tax distribution, and defer payments for current mandate claims, for estimated State General Fund savings of \$100.3 million in FY 2009-10 and \$79.3 million in FY 2010-11. The mandates proposed to be suspended include those regarding mental health services, absentee balloting, binding arbitration, coroners, mentally disordered offenders, and perinatal services, among others. This proposal would result in the loss of an estimated \$16.9 million to the County.

Public Health

AIDS Drug Assistance Program (ADAP) and Other HIV/AIDS Programs. This May Revision proposal would result in a State General Fund savings of \$55.5 million by expanding client cost sharing and limiting the formulary for ADAP to the minimum Federal requirement, and by reducing or eliminating certain HIV/AIDS programs, such as HIV Counseling and Testing, Epidemiologic Studies/Surveillance, Therapeutic Monitoring, and Home and Community Based Care.

The Department of Public Health (DPH) indicates that the proposal to eliminate all State HIV surveillance funding would result in a loss of \$1.69 million for the County's surveillance program and jeopardize future Ryan White Care Act funding, which is based on State-certified HIV and/or AIDS case data. Although ADAP funding is not

administered by the County, the substantial reductions would seriously compromise treatment for County residents living with HIV/AIDS who depend upon the program. The Department of Health Services notes that if certain drugs are eliminated from the eligible formulary, and are determined to be medically necessary for patients, this proposal would result in increased County costs.

Maternal, Child, and Adolescent Health. As previously reported, the May Revision proposes a reduction of \$10 million for local health jurisdictions for services and programs to improve the health of mothers, infants, children, adolescents, and families. This additional May Revision proposal would further reduce these programs by \$10.2 million, for a total of \$20.2 million.

The Department of Public Health estimates a combined loss of \$265,792 from the State grant and Federal matching funds for the County's Maternal, Child, and Adolescent Health (MCAH) program. DPH anticipates that this would result in a decrease in the number of high-risk pregnant women served, an increase in poor birth outcomes, and a reduction in support to the community to address adolescent health issues, asthma, and childhood obesity. The Department also expects a total of \$1.1 million in cuts to the Black Infant Health grant, which is a separate program under the MCAH Program. This proposal would result in the elimination of services throughout the County including pregnancy assistance services to an estimated 542 African-American women living in poverty, increased infant mortality and disparity in health outcomes between African-Americans and other ethnicities in Los Angeles County.

Health

Eliminate Certain Medi-Cal State Only Programs. This May Revision proposal would result in a State General Fund savings of \$34.4 million by eliminating non-emergency services for undocumented persons including breast and cervical cancer treatment and postpartum care, Institutions for Mental Disease (IMD) ancillary service payments, dialysis, non-digestive nutrition, and breast and cervical cancer treatment for women over 65. Although there is insufficient information to determine the impact of this proposal, the Department of Health Services indicates that it is likely to be minimal.

The Department of Mental Health (DMH) indicates that the elimination of funding for IMD ancillary services payments will result in an ongoing reduction to the Department of approximately \$6.3 million, which is already reflected in its budget for FY 2009-10.

Eliminate the Healthy Families Program. This May Revision proposal would eliminate the Healthy Families Program (HFP) for a savings to the State General Fund of \$247.8 million. According to the Department of Finance, this estimate assumes that the program phases out as quickly as possible after providing notice to beneficiaries and providers.

The Department of Health Services estimates that this will result in the loss of \$1.5 million in HFP revenue received by the Department. The Department of Public

Health indicates that an estimated 235,000 children under the age of 19 would lose health insurance coverage in the County. The Department of Mental Health estimates a loss of \$10 million in HFP funds for mental health services resulting in the loss of services to approximately 3,590 children.

Federal Medi-Cal Flexibility and Stabilization Waiver. As previously reported, the May Revision proposes to seek a waiver from the Federal government to implement additional eligibility reductions to better manage the growth in California's Medi-Cal Program, for a savings of \$750 million. This additional May Revision proposal would increase the waiver amount by \$250 million, for a total of \$1 billion. The Administration contends that flexibilities are needed to slow the rate of growth and manage the Medi-Cal Program within available resources. The American Recovery and Reinvestment Act provided California with significant fiscal relief; however, reductions in eligibility are not permitted. Without a waiver, California's Federal funding would be in jeopardy.

Depending on which categories of Medi-Cal eligibility and benefits are targeted, DHS indicates that this proposal could have a significant negative impact on the County.

Mental Health

Mental Health Managed Care and Early and Periodic Screening, Diagnosis, and Treatment Services (EPSDT). This May Revision proposal would result in State General Fund savings of \$92 million for Mental Health Managed Care Services and for the EPSDT Program.

The Department of Mental Health notes that although the method for apportioning the Mental Health Managed Care reduction to counties is unclear, it would eliminate the professional services provided by fee-for-service psychiatrists, psychologists, social workers, and marriage and family therapists. The loss to DMH could total \$21 million, and up to 14,000 indigent clients could lose mental health services.

The Department also indicates that the EPSDT reduction would eliminate funding for the development of Mental Health Services Act (Proposition 63) programs for children and transitional age youth. The loss of EPSDT funding could total \$7 million, and the Department may be forced to consider capping these programs at their current levels of enrollment, and eventually reducing the program through attrition.

Defer Funding for AB 3632 Program. This May Revision proposal would delay for one year allocation of \$52 million to reimburse county claims for the cost of the AB 3632 Program. The Department of Mental Health indicates that this proposal would delay approximately \$12.4 million in reimbursements due to the County.

Social Services

Elimination of CalWORKs. This May Revision proposal would eliminate the CalWORKs Program for an estimated State General Fund savings of \$1.3 billion in FY 2009-10 and \$1.8 billion in FY 2010-11. The Administration has not provided details for this proposal. However, in testimony before the Budget Conference Committee on May 26, 2009, representatives from the Department of Finance advised the Committee that the State is not Federally mandated to provide CalWORKs, and therefore, the program can be eliminated. If the program is eliminated, the State would lose \$3.7 billion in Federal TANF block grant funding and \$1.8 billion in TANF Emergency Contingency Funds provided in the American Recovery and Reinvestment Act. If enacted, this proposal would affect the following CalWORKs Program elements:

- **Cash Assistance.** The Department of Public Social Services (DPSS) estimates that 300,813 children in 154,320 families in Los Angeles County would lose benefits with a loss of \$1 billion in cash grants if the CalWORKs Program is eliminated. It is estimated that **if 50 percent of the families terminated from cash assistance apply for, and are determined eligible for the County's General Relief Program, there would be an increase in net County cost of \$417 million. If 100 percent of these families are determined eligible for General Relief, there would be an estimated increase in net County cost of \$833 million.**
- **Single Allocation.** The County would lose approximately \$585.2 million in CalWORKs Single Allocation funds for eligibility administration, employment services, child care and CalLEARN. The Department of Public Social Services estimates that up to 3,761 direct services positions would be eliminated. This would include positions in CalWORKs eligibility, GAIN, Welfare Fraud Investigation, Appeals and State Hearings and clerical support. In addition, an undetermined number of administrative and information technology positions also would be eliminated.

The loss of Single Allocation funds would affect other supportive services such as employment and training, child care, domestic violence services, and housing and homeless assistance. The loss of these funds would require the termination of existing contracts with numerous service providers and other organizations which provide services to carry out the objectives of the CalWORKs Program.

- **Mental Health Services.** The Department of Mental Health estimates that elimination of the CalWORKs Program would result in the loss of \$24.4 million for mental health services provided by 68 contract providers, and 79 staff at DMH directly operated facilities. This allocation is also used to fund oversight and administration of the program. The Department of Mental Health estimates that by the end of FY 2009-10, approximately 7,100 CalWORKs clients would no longer receive services.

- Substance Abuse Services. The Department of Public Health (DPH) estimates that the elimination of the CalWORKs Program would result in the loss of \$16.4 million for CalWORKs substance abuse services. According to DPH, the loss of these services would place an additional burden on County substance abuse services as persons who currently receive services under the CalWORKs Program would need to seek assistance from other sources.

In-Home Supportive Services (IHSS) – Reduction of Recipient Services. This May Revision proposal would limit IHSS services only to those individuals most in need for an additional estimated State General Fund savings of \$230.8 million Statewide. If enacted, this proposal would result in an estimated annual net County cost savings of \$130.3 million in FY 2009-10. This proposal and the May Revision and contingency proposals to eliminate or reduce IHSS services for individuals who require minimum assistance, which would have resulted in estimated net County cost savings of \$69.7 million, would result in estimated total net County cost savings of \$200 million.

The Department of Public Social Services indicates that if all the May Revision proposals are enacted, approximately 92 percent of all IHSS recipients in Los Angeles County would lose benefits resulting in IHSS caseload reductions from an estimated 191,825 cases to 15,346 cases.

County Sales Tax Realignment Revenues. This May Revision proposal would redirect County Sales Tax Realignment revenues from projected savings resulting from reductions to In-Home Supportive Services and provider wages (\$26.1 million) for a total of \$226.1 million, and the elimination of the CalWORKs Program (\$8.6 million) to fund proposed increases in the counties' share of cost for the State Department of Social Services children's programs. This proposal is estimated to achieve \$550 million in State General Fund savings. If enacted, this proposal would result in a County loss of an estimated \$234.7 million in Sales Tax Realignment funds.

Elimination of Community-Based Services Programs. This May Revision proposal would eliminate funding for the Community-Based Services Program which provides funding for three types of services: 1) Alzheimer's Day Care Resource Centers, 2) Linkages, and 3) Respite Purchase of Services for a Statewide savings of \$24.2 million in FY 2009-10 and \$35.3 million in FY 2010-11.

- Alzheimer's Day Care Resource Centers These centers provide day care for persons with dementia, giving respite to their caregivers. The program also provides education and training for caregivers, professionals, students and the community about Alzheimer's disease and provides referrals and support services to persons with dementia, their families and caregivers. The Department of Community and Senior Services indicates that elimination of this program would result in a loss of approximately \$474,780 and the loss of services for approximately 450 persons in FY 2009-10.

This proposal would delete funding for the Alzheimer's Research Centers of California and in particular for the Center located at Rancho Los Amigos National Rehabilitation Center in Downey. Alzheimer's Research Centers provide research and services to patients and their families. The center at Rancho Los Amigos operates in collaboration with the University of Southern California and is the only center located at a County hospital. If the funding is eliminated, this center will have to close.

- The Linkages Program This program provides services to help frail elderly and disabled adults remain in their homes and reduce the need for more costly out-of-home care. The program provides care management and links individuals and their families to supportive services such as transportation, meals, in-home care, housing assistance, and adult day care programs. The Department of Community and Senior Services indicates that elimination of this program would result in a loss of approximately \$578,928 and the loss of services for approximately 605 persons in FY 2009-10.
- Respite Purchase of Services The program provides funds for the limited purchase of temporary or periodic care for frail elderly and disabled adults to provide a respite for the primary caregiver. Services which may be purchased include in-home care, adult day care and brief stays in board and care or nursing homes. The Department of Community and Senior Services indicates that the elimination of this program would result in a loss of approximately \$25,536 in FY 2009-10.

Justice and Public Safety

Court Reductions and Electronic Court Reporting. This May Revision proposal would reduce State General Fund support for the courts by another 10 percent and require electronic court reporting, resulting in State General Fund savings of \$181.6 million in FY 2009-10. It is not clear how the courts are expected to achieve the required savings. The Los Angeles County Superior Court proposes a one day a month furlough to generate some of the required savings. Although there is no reported direct County impact associated with this reduction, it may be more difficult to schedule hearings in civil and family courts.

The Department of Public Health indicates that this proposal will reduce court supervision for nonviolent drug offenders in the County's Drug Court and Proposition 36 programs which is proposed for elimination, resulting in higher relapse rates among these offenders and an increased burden on local emergency medical, psychiatric, addiction treatment, and law enforcement services.

Reduction to Prison Population. This May Revision proposal would commute the sentences of non-violent, non-serious, non-sex offenders one year early, resulting in a one time State General Fund savings of \$120.5 million. Although this proposal would not have a direct impact on local governments, the Department of Public Health

indicates that it will result in a greater County burden for the care of former prisoners returned to the community who require substance abuse treatment services.

Prison Program Reduction. This May Revision proposal would reduce treatment and rehabilitation programs in prisons, resulting in a State General Fund savings of \$788.5 million. Although this proposal would not have a direct impact on local governments, the Department of Public Health indicates that it will result in higher addiction relapse rates and a greater County burden for the care of inmates returned to the community on parole, including increased demand on emergency medical and psychiatric services, law enforcement and incarceration, and more intensive addiction treatment services.

Transportation

Reduction of Local Share of Gasoline Tax. The May Revision proposes to reduce the local share of the State excise tax on gasoline, also known as the Highway Users Tax Account (HUTA), from \$1.05 billion to \$300 million and redirect \$750 million of the local share of the gasoline tax to pay for highway debt bond service. Counties and cities currently receive 6.46 cents of the 18 cent gas tax, equal to approximately \$1 billion annually. Counties receive 3.23 cents, which in FY 2009-10 is estimated to provide approximately \$500 million. This proposal would redirect \$375 million from counties on an ongoing basis to finance State General Fund debt service for FY 2009-10 and FY 2010-11.

On May 29, 2009, the Administration released an additional May Revision proposal which would include weight fees in calculation of transportation funds. This proposal would shift an additional \$242 million of the gasoline tax for the payment of transportation debt service in FY 2009-10 only.

The Department of Public Works (DPW) indicates that the additional May Revision proposal, including the latest reductions would have a significant impact on the County. The proposal would reduce gasoline tax revenue disbursements to cities and counties by 94.5 percent in FY 2009-10 and 71.4 percent in FY 2010-11. According to DPW, this would result in a loss of gasoline tax revenue to the County of approximately \$109 million in FY 2009-10 and \$82 million in FY 2010-11, for a combined total loss of \$191 million.

Although few details are available, at a May 26, 2009 Budget Conference Committee hearing, the Department of Finance proposed that the remaining allocation of Proposition 1B (the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006) funds would be made available to compensate the loss of HUTA revenues to cities and counties in the first year. According to DPW, this could mean an additional \$85 million for projects consistent with the Proposition 1B guidelines. However, this proposal would not mitigate the loss of the \$191 million of HUTA revenues as the Proposition 1B bond funds are not eligible for ongoing operations and maintenance.

Natural Resources

State Park System. The May Revision proposes to eliminate all State General Fund support for the State Park System, including \$70 million in FY 2009-10 and \$143 million in FY 2010-11. This proposed reduction would require the California Department of Parks and Recreation (CDPR) to operate on fee revenue and special funding. According to recent news accounts, upwards of 80 percent of California's 279 State park units may not have sufficient fee revenues to continue to operate.

On May 29, 2009, CDPR issued a draft list of 220 State park units that would be put on caretaker status and would not be open to the public. Sixteen of the 220 State park units operated by CDPR scheduled to close are located in Los Angeles County. The affected State parks are: 1) Leo Carrillo State Park; 2) Los Angeles State Historic Park; 4) Los Encinos State Historic Park; 5) Malibu Creek State Park; 6) Malibu Lagoon State Beach; 7) Pio Pico State Historic Park; 8) Rio de Los Angeles State Park; 9) Robert H. Meyer Memorial State Beach; 10) Santa Susana Pass State Historic Park; 11) Topanga State Park; 12) Will Rogers State Historic Park; 13) Antelope Valley California Poppy Reserve; 14) Antelope Valley Indian Museum; 15) Arthur B. Ripley Desert Woodland State Park; and 16) Saddleback Butte State Park. CDPR estimates that 2.78 million people visit these State park units on an annual basis.

The Department of Parks and Recreation (DPR) indicates that the closure of State park units operated by CDPR would affect use of County park facilities because many State park visitors may choose to visit County parks. According to DPR, while it is difficult to estimate this impact it is expected that there would be an additional cost associated with this increased visitation to County parks. In addition, DPR indicates the closures would impact the State's ability to generate revenue from popular parks, which drives local economies. It is estimated that for every dollar that funds State parks, \$2.35 is returned to the State General Fund through economic activities in the communities surrounding the parks. Eliminating funding for State parks could result in the State losing over \$350 million dollars in revenue. A significant portion of this economic impact is expected in Los Angeles County.

The Department of Beaches and Harbors indicates that closures of State beaches adjacent to County operated beaches may have an effect on beach attendance at these facilities. While it is difficult to determine the potential impact on the County, the proposal may result in additional beach visitors and an increase in parking revenues from those beaches with such facilities.